



## U.S. Department of Justice

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### **FORMER OWNER AND FORMER MANAGER OF LT'S BAR EACH SENTENCED TO FEDERAL PRISON FOR TAX CONSPIRACY**

ROCKFORD -- PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois, together with CHRISTOPHER PIKELIS, Acting Special Agent-In-Charge, Criminal Investigations, Internal Revenue Service, today announced:

Today, United States District Court Judge Philip R. Reinhard sentenced **PHILIP M. PRIOLA**, 61, Rockford, and his daughter, **LYNNANN M. GAGE, nee PRIOLA**, 37, formerly of Rockford, to federal prison for conspiring with each other and with Thomas Priola to defraud the IRS out of income, F.I.C.A., Medicare, and employer taxes, by skimming hundreds of thousands of dollars of receipts of LT's Bar and Grill between 1992 and 1998, and submitting false tax returns which failed to report the receipts.

Judge Reinhard sentenced Phillip M. Priola, the former owner of LT's Bar and Grill, to 21 months in federal prison to be followed by 2 years on supervised release. Judge Reinhard also order Priola to pay a \$50,000 fine.

Lynnann Gage was sentenced to 5 months in federal prison to be followed by 5 months in home confinement, and then to serve 2 years on supervised release. Judge Reinhard also ordered Gage to pay a \$6,000 fine. Neither defendant is eligible for parole.

On October 1, 2004, Philip Priola had pleaded guilty to conspiring to defraud the IRS and to filing false tax returns. Gage had pleaded guilty to that same charge on September 29, 2004. In pleading guilty, both admitted that they, along with Thomas Priola, had secretly skimmed receipts of L.T.'s Bar, a bar located at 1011 South Alpine Road, Rockford, Illinois. According to the plea agreements, they filed state sales tax returns and federal income tax returns for L.T.'s Bar that did not report the skimmed receipts as income. Both Philip Priola and Gage further admitted that they secretly took substantial amounts of the cash and did not declare the cash as their own income. The defendants also admitted to using some of the skimmed receipts to pay employees of L.T.'s Bar their wages in cash and filed employer's tax returns for L.T.'s Bar with the IRS that did not include the cash wages or pay over F.I.C.A., Medicare, and employer taxes that were due. Philip Priola and Gage admitted to secretly maintaining a second set of books that recorded the skimmed receipts and cash wages.

Thomas Priola, son of Philip Priola, was sentenced by Judge Reinhard on December 17, 2004, to 1 year and 1 day in federal prison to be followed by 2 years on supervised release, and to pay a \$6,000 fine.

The case was investigated by Special Agents of Criminal Investigations of the Internal Revenue Service, and prosecuted in United States District Court by Assistant United States Attorney JOHN G. McKENZIE.

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